

# **THE STATE EXCHANGE BANK**

107 S. COMMERCIAL

P. O. BOX 284

MANKATO, KANSAS 66956

Phone (785) 378-3222 Fax (785) 378-3182

E-Mail: [pmenhusen@stateexchange.net](mailto:pmenhusen@stateexchange.net)

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**RICHARD L. DIAMOND**  
*CHAIRMAN OF THE BOARD*

**JON B. MENHUSEN**  
*VICE CHAIRMAN OF THE BOARD*

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*EXECUTIVE VICE PRESIDENT*

FDIC San Francisco Regional Office  
Director Johns F Carter  
25 Jessie Street at Ecker Square  
Suite 2300  
San Francisco, CA 94105

Director Carter:

Thank you for the opportunity to comment on Wal-Mart's application for deposit insurance for its pending industrial loan company. We recommend that you deny the application.

The long-standing barrier between banking and commerce was affirmed by Congress in the Gramm-Leach-Bliley Act. The United States currently has the most diversified banking system in the world. Many independent banks serve their local communities, loaning funds to local consumers, businesses, and farmers. Contrast this with the vision of Wal-Mart Bank, where deposits are all siphoned off to Arkansas to be loaned back out in a manner that furthers Wal-Mart's interests, without any regard for the welfare of the communities where they are located.

We urge you to take a hard look at what Wal-Mart has done to the hometown pharmacies, hardware stores, and grocery stores where they are located. Do you really want a banking system similar to that in Japan? Recent history in Japan would indicate that mixing banking and commerce has disastrous consequences.

Don't be swayed by assurances that Wal-Mart might give regarding the limitations they intend to put on their ILC. If you allow them to get their foot in the door, they will manipulate and coerce until they have a full service Wal-Mart Bank in every store. Then they will do whatever it takes to force the competition out of business. If you think we're being paranoid, ask any small business man forced to close through trying to compete with Wal-Mart.

Once Wal-Mart Bank has forced the competition out of business, they will refuse credit to any businesses that compete with them. Wal-Mart is a repeat offender when it comes to putting local competitors out of business. To allow them to enter the banking business would give this lethal predator a potent weapon. They would become "too big to fail" in a matter of weeks, and would pose a major systemic risk to both the deposit insurance fund and the whole economy. Please deny the application.

Thank you for your consideration.

Sincerely